

(a) *Death or Disability* . If a Holder's service shall terminate by reason of death or Disability, notwithstanding any contrary waiting period, installment period, vesting schedule or Restriction Period in any Agreement or in the Plan, unless the applicable Agreement provides otherwise: (i) in the case of an Option or SAR, each outstanding Option or SAR granted under the Plan shall immediately become exercisable in full in respect of the aggregate number of shares covered thereby; (ii) in the case of Restricted Shares, the Restriction Period applicable to each such Award of Restricted Shares shall be deemed to have expired and all such Restricted Shares, any related Retained Distributions and any unpaid Dividend Equivalents shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement; and (iii) in the case of Stock Units, each such Award of Stock Units shall become vested in full.

(b) *Approved Transactions; Board Change; Control Purchase* . In the event of any Approved Transaction, Board Change or Control Purchase, notwithstanding any contrary waiting period, installment period, vesting schedule or Restriction Period in any Agreement or in the Plan, unless the applicable Agreement provides otherwise: (i) in the case of an Option or SAR, each such outstanding Option or SAR granted under the Plan shall become exercisable in full in respect of the aggregate number of shares covered thereby; (ii) in the case of Restricted Shares, the Restriction Period applicable to each such Award of Restricted Shares shall be deemed to have expired and all such Restricted Shares, any related Retained Distributions and any unpaid Dividend Equivalents shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement; and (iii) in the case of Stock Units, each such Award of Stock Units shall become vested in full, in each case effective upon the date of the Board Change or Control Purchase or immediately prior to consummation of the Approved Transaction. Notwithstanding the foregoing, unless otherwise provided in the applicable Agreement, the Board may, in its discretion, determine that any or all outstanding Awards of any or all types granted pursuant to the Plan will not vest or become exercisable on an accelerated basis in connection with an Approved Transaction if effective provision has been made for the taking of such action which, in the opinion of the Board, is equitable and appropriate to substitute a new Award for such Award or to assume such Award and to make such new or assumed Award, as nearly as may be practicable, equivalent to the original Award (before giving effect to any acceleration of the vesting or exercisability thereof), taking into account, to the extent applicable, the kind and amount of securities, cash or other assets into or for which the applicable series of Common Stock may be changed, converted or exchanged in connection with the Approved Transaction.

1.2. Termination of Service .

(a) *General* . If a Holder's service shall terminate prior to an Option or SAR becoming exercisable or being exercised (or deemed exercised, as provided in Section 7.2) or during the Restriction Period with respect to any Restricted Shares or prior to the vesting or complete exercise of any Stock Units, then such Option or SAR shall thereafter become or be exercisable, such Stock Units to the extent vested shall thereafter be exercisable, and the Holder's rights to any unvested Restricted Shares, Retained Distributions and any unpaid Dividend Equivalents and related cash amounts, and any such unvested Stock Units shall thereafter vest, in each case solely to the extent provided in the applicable Agreement; *provided, however*, that, unless otherwise determined by the Board and provided in the applicable Agreement, (i) no Option or SAR may be exercised after the scheduled expiration date thereof; (ii) if the Holder's service terminates by reason of death or Disability, the Option or SAR shall remain exercisable for a period of at least one year following such termination (but not later than the scheduled expiration of such Option or SAR); and (iii) any termination of the Holder's service for cause will be treated in accordance with the provisions of Section 11.2(b).

(b) *Termination for Cause* . If a Holder's service on the Board shall be terminated by the Company for "cause" during the Restriction Period with respect to any Restricted Shares, or prior to any Option or SAR becoming exercisable or being exercised in full or prior to the vesting or complete exercise of any Stock Unit (for these purposes, "cause" shall include dishonesty, incompetence, moral turpitude, other misconduct of any kind and the refusal to perform his duties and responsibilities for any reason other than illness or incapacity; *provided, however*, that if such termination occurs within 12 months after an Approved Transaction or Control Purchase or Board Change, termination for "cause" shall mean only a felony conviction for fraud, misappropriation or embezzlement), then, unless otherwise determined by the Board and provided in the applicable Agreement, (i) all Options and SARs and all unvested or unexercised Stock Units held by such Holder shall immediately terminate, and (ii) such Holder's rights to all Restricted Shares, Retained Distributions, any unpaid Dividend Equivalents and any related cash amounts shall be forfeited immediately.

1.3 *Nonalienation of Benefits* . Except as set forth herein, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, mortgage, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same shall be void. No person shall hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities or torts of the person entitled to such benefits.

1.4 *Written Agreement* . Each Award of Options shall be evidenced by a stock option agreement; each Award of SARs shall be evidenced by a stock appreciation rights agreement; each Award of Restricted Shares shall be evidenced by a restricted shares agreement; and each Award of Stock Units shall be evidenced by a stock units agreement, each in such form as the Board from time to time shall approve; *provided, however*, that if more than one type of Award is made to the same Holder, such Awards may be evidenced by a single Agreement with such Holder. Each grantee of an Option, SAR, Restricted Shares or Stock Units shall be notified of such grant, and a written Agreement shall be promptly executed and delivered by the Company. Any such Agreement may be supplemented or amended from time to time as may be determined by the Board as contemplated by Section 11.6(b).

1.5 *Designation of Beneficiaries* . Each person who shall be granted an Award under the Plan may designate a beneficiary or beneficiaries and may change such designation from time to time by filing a written designation of beneficiary or beneficiaries with the Board on a form to be prescribed by it, provided that no such designation shall be effective unless signed by the person designating the beneficiary or beneficiaries and shall terminate upon the death of such person.

1.6 *Termination and Amendment* .

(a) *General* . Unless the Plan shall theretofore have been terminated as hereinafter provided, no Awards may be made under the Plan on or after the tenth anniversary of the Effective Date. The Plan may be terminated at any time prior to the tenth anniversary of the Effective Date and may, from time to time, be suspended or discontinued or modified or amended if such action is deemed advisable by the Board.

(b) *Modification* . No termination, modification or amendment of the Plan may, without the consent of the person to whom any Award shall theretofore have been granted, adversely affect the rights of such person with respect to such Award, except as otherwise permitted by Section 11.17. No modification, extension, renewal or other change in the Plan or in an Award granted under the Plan shall be made after the grant of such Award, unless the same is consistent with the provisions of the Plan. With the consent of the Holder, or as otherwise permitted under Section 11.17, and subject to the terms and conditions of the Plan (including Section 11.6(a)), the Board may amend outstanding Agreements with a Holder, including any amendment which would (i) accelerate the time or times at which the Award may be exercised and/or (ii) extend the scheduled expiration date of the Award. Without limiting the generality of the foregoing, the Board may, but solely with the Holder's consent unless otherwise provided in the Agreement, agree to cancel any Award under the Plan and grant a new Award in substitution therefor, provided that the Award so substituted shall satisfy all of the requirements of the Plan as of the date such new Award is made. Nothing contained in the foregoing provisions of this Section 11.6(b) shall be construed to prevent the Board from providing in any Agreement that the rights of the Holder with respect to the Award evidenced thereby shall be subject to such rules and regulations as the Board may, subject to the express provisions of the Plan, adopt from time to time which may impair the enforceability of any such provision.

1.7 *Government and Other Regulations* . The obligation of the Company with respect to Awards shall be subject to all applicable laws, rules and regulations and such approvals of governmental agencies as may be required, including the effectiveness of any registration statement required under the Securities Act of 1933, and the rules and regulations of any stock exchange or association on which the Common Stock may be listed or quoted. For so long as any series of Common Stock are registered under the Exchange Act, the Company shall make its reasonable efforts to comply with any legal requirements (a) to maintain a registration statement in effect under the Securities Act of 1933 with respect to all shares of the applicable series of Common Stock that may be issued to Holders under the Plan and (b) to file in a timely manner all reports required to be filed by it under the Exchange Act.

1.8 *Withholding* . The Company's obligation to deliver shares of Common Stock or pay cash in respect of any Award under the Plan shall be subject to applicable federal, state and local withholding requirements. Federal, state and local withholding tax due at the time of an Award, upon the exercise of any Option or SAR or upon the vesting of, or expiration of, an Award with respect to, Restricted Shares or Stock Units, as appropriate, may, in the discretion of the Board, be paid in shares of the applicable series of Common Stock already owned by the Holder or through the withholding of shares otherwise issuable to such Holder, upon such terms and conditions (including the conditions referenced in Section 6.5) as the Board may determine. If the Holder shall fail to pay, or make arrangements satisfactory to the Board for the payment to the Company of, all such federal, state and local taxes required to be withheld from the Award, then the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to such Holder an amount equal to any such federal, state or local taxes of any kind required to be withheld by the Company with respect to such Award.

1.9 *Nonexclusivity of the Plan* . The adoption of the Plan by the Board shall not be construed as creating any limitations on the power of the Board to adopt such other incentive compensation plans or arrangements as it may deem desirable, including the granting of stock options and the awarding of stock and cash otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

1.10 *Exclusion from Other Plans* . By acceptance of an Award, unless otherwise provided in the applicable Agreement, each Holder shall be deemed to have agreed that such Award shall constitute special incentive compensation that will not be taken into account, in any manner, as compensation or bonus in determining the amount of any payment under any pension, profit sharing or other benefit plan, program or policy of the Company or any Subsidiary of the Company. In addition, each beneficiary of a deceased Holder shall be deemed to have agreed that the Award will not affect the amount of any life insurance coverage, if any, provided by the Company on the life of the Holder which is payable to such beneficiary under any life insurance plan of the Company or any Subsidiary of the Company.

1.11 *Unfunded Plan* . Neither the Company nor any Subsidiary of the Company shall be required to segregate any cash or any shares of Common Stock which may at any time be payable under Awards, and the Plan shall constitute an "unfunded" plan of the Company. Except as provided in Article VIII with respect to Awards of Restricted Shares and except as otherwise set forth in an Agreement, no Holder shall have voting or other rights with respect to the shares of Common Stock covered by an Award prior to the delivery of such shares. Neither the Company nor any Subsidiary of the Company shall, by any provisions of the Plan, be deemed to be a trustee of any shares of Common Stock or any other property, and the

ties of the Company to any Holder pursuant to the Plan shall be those of a debtor pursuant to such contract obligations as are created by or pursuant to the Plan, and the rights of r under the Plan shall be limited to those of a *general creditor of the Company*. In its sole discretion, the Board may authorize the creation of trusts or other arrangements to meet the needs of the Company under the Plan, *provided, however*, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

1.12 *Governing Law* . The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware.

1.13 *Accounts* . The delivery of any shares of Common Stock and the payment of any amount in respect of an Award shall be for the account of the Company or the applicable subsidiary of the Company, as the case may be, and any such delivery or payment shall not be made until the recipient shall have paid or made satisfactory *arrangements for the payment of* applicable withholding taxes as provided in Section 11.8.

1.14 *Legends* . Each certificate evidencing shares of Common Stock subject to an Award shall bear such legends as the Board deems necessary or appropriate to reflect or refer to the terms, conditions or restrictions of the Award applicable to such shares, including any to the effect that the shares represented thereby may not be disposed of unless the Company has obtained an opinion of counsel, *acceptable to the Company*, that such disposition will not violate any federal or state securities laws.

1.15 *Company's Rights* . The grant of Awards pursuant to the Plan shall not affect in any way the right or power of the Company to make reclassifications, reorganizations or other changes of or to its capital or business structure or to merge, consolidate, liquidate, *sell or otherwise dispose of all or any part of its business or assets*.

1.16 *Interpretation* . The words "include," "includes," "included" and "including" to the extent used in the Plan shall be deemed in each case to be followed by the words "with the same meaning as in this Plan."

1.17 *Section 409A*. Notwithstanding anything in this Plan to the contrary, if any Plan provision or Award under the Plan would result in the imposition of an additional tax under Section 409A and related regulations and United States Department of the Treasury pronouncements ("Section 409A"), that Plan provision or Award will be reformed to avoid the imposition of the applicable tax and no action taken to comply with Section 409A shall be deemed to adversely affect the Holder's rights to an Award or require the consent of the Holder.

Links

OVERY HOLDING COMPANY 2005 NON-EMPLOYEE DIRECTOR INCENTIVE PLAN (Effective May 3, 2005)

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Exhibi

**FORM OF
DISCOVERY HOLDING COMPANY
TRANSITIONAL STOCK ADJUSTMENT PLAN**

**ARTICLE I
Purpose Of Plan**

The purpose of the Plan is to provide for the supplemental *grant* of both stock options to purchase the common stock of Discovery Holding Company (the "Company") and of restricted shares of the Company's common stock to holders of certain outstanding options, stock appreciation rights and restricted shares issued under certain stock-based plans administered by Liberty Media Corporation ("LMC") in connection with adjustments made to outstanding *LMC stock incentive awards* and restricted shares of LMC common stock of the spin off of the Company from LMC.

**ARTICLE II
Definitions**

1. Definitions. For purposes of the Plan, the following terms shall have the meanings below stated.

" *Approved Transaction* " means any transaction in which the Board (or, if approval of the Board is not required as a matter of law, the stockholders of the Company) shall approve (i) any consolidation or merger of the Company, or binding share exchange, pursuant to which shares of Common Stock of the Company would be changed or converted into or exchanged for cash, securities, or other property, other than any such transaction in which the common stockholders of the Company immediately prior to such transaction have the same proportionate ownership of the Common Stock of, and voting power with respect to, the surviving corporation immediately after such transaction, (ii) any merger, consolidation or binding share exchange to which the Company is a party as a result of which the Persons who are common stockholders of the Company immediately prior thereto have less than a majority of the combined voting power of the outstanding capital stock of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors immediately following such merger, consolidation or binding share exchange, (iii) the adoption of any plan or proposal for the liquidation or dissolution of the Company, or (iv) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company.

" *Board* " means the Board of Directors of the Company.

" *Board Change* " means, during any period of two consecutive years, individuals who at the beginning of such period constituted the entire Board cease for any reason to constitute a majority thereof unless the election, or the nomination for election, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

" *Code* " means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Code section shall include any successor section.

" *Committee* " means the committee of the Board appointed to administer this Plan pursuant to Article VII.

" *Common Stock* " each or any (as the context may require) series of the Company's common stock.

" *Company* " means Discovery Holding Company, a Delaware corporation, and any successor thereto.

" *Control Purchase* " means any transaction (or series of related transactions) in which (1) any person (as such term is defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), corporation or other entity (other than the Company, any Subsidiary of the Company or any employee benefit plan sponsored by the Company or any Subsidiary of the Company) shall purchase any Common Stock of the Company (or securities convertible into Common Stock of the Company) for cash, securities or any other consideration pursuant to a tender offer or exchange offer, without the prior consent of the Board, or (2) any person (as such term is so defined), corporation or other entity (other than the Company, any Subsidiary of the Company, any employee benefit plan sponsored by the Company or any Subsidiary of the Company or any Exempt Person (as defined below)) become the " beneficial owner " (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote at the election of directors (calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire the Company's securities), other than in a transaction (or series of related transactions) approved by the Board. For purposes of this definition, " Exempt Person " means each of (a) the Chairman of the Board, the President and each of the directors of the Company as of the Distribution Date, and (b) the respective family members, estates and heirs of each of the persons referred to in clause (a) above and any trust or other investment vehicle for the primary benefit of any of such persons or their respective family members or heirs. As used with respect to any person, the term " family member " means the spouse, siblings and lineal descendants of such person.

" *Distribution* " means the distribution by LMC to the holders of LMC Common Stock of all of the issued and outstanding shares of Common Stock.

" *Distribution Date* " means the date on which the Distribution occurs.

" *Exchange Act* " means the Securities Exchange Act of 1934, as amended.

" *Fair Market Value* " of a share of any series of Common Stock on any day means the last sale price (or, if no last sale price is reported, the average of the high bid and last asked prices) for a share of such series of Common Stock on such day (or, if such day is not a trading day, on the next preceding trading day) as reported on the consolidated transaction reporting system for the principal national securities exchange on which shares of such series of Common Stock are listed on such day or if such shares are not then listed on a national securities exchange, then as reported on Nasdaq. If for any day the Fair Market Value of a share of the applicable series of Common Stock is not determinable by any of the foregoing means, then the Fair Market Value for such day shall be determined in good faith by the Committee on the basis of such quotations and other considerations that the Committee deems appropriate.

" *Incentive Plan* " means the Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated Effective April 19, 2004) and any other stock option or incentive plan assumed by LMC pursuant to which any Participant holds an outstanding LMC Award as of the Record Date. Depending on the context, "Incentive Plan" shall mean all of such plans or a particular one of such plans.

" *LMC* " means Liberty Media Corporation, a Delaware corporation.

" *LMC Award* " means (1) an unexercised and unexpired option to purchase LMC Common Stock, (2) an LMC SAR or (3) an unvested award of restricted shares of LMC Common Stock.

" *LMC Committee* " means the Incentive Plan Committee of the Board of Directors of LMC.

" *LMC Common Stock* " means each or any (as the context may require) series of LMC's common stock.

" *LMC Corporate Holder* " means an individual who, as of Record Date, is (1) an LMC employee or (2) a member of the Board of Directors of LMC. The Committee may, in its discretion, determine that (i) an individual who does not meet any of the foregoing criteria should be classified as an LMC Corporate Holder or (ii) an individual who otherwise would qualify as an LMC Corporate Holder, should not be classified as such.

" *LMC SAR* " means a stock appreciation right with respect to any series of LMC Common Stock.

" *Nasdaq* " means The NASDAQ Stock Market.

" *Option* " means an option to purchase Common Stock, granted by the Company to a Participant pursuant to Section 6.1 of the Plan.

" *Participant* " means a person who is an LMC Corporate Holder and who, as of the Record Date, holds an outstanding LMC Award.

" *Person* " means an individual, corporation, limited liability company, partnership, trust, incorporated or unincorporated association, joint venture or other entity of any kind.

" *Plan* " means the Discovery Holding Company Transitional Stock Adjustment Plan, as set forth herein and as from time to time amended.

" *Record Date* " means 5:00 p.m., New York City time, on July 15, 2005.

" *Restricted Stock Award* " means an award of restricted shares of Common Stock, granted by the Company to a Participant pursuant to Section 5.1.

" *Stock Incentives* " refers collectively to Restricted Stock Awards and Options.

" *Subsidiary* " of a Person means any present or future subsidiary (as defined in Section 424(f) of the Code) of such Person or any business entity in which such Person owns, directly or indirectly, 50% or more of the voting, capital or profits interests. An entity shall be deemed a subsidiary of a Person for purposes of this definition only for such period of time as the requisite ownership or control relationship is maintained.

ARTICLE III

Reservation of Shares

The aggregate number of shares of Common Stock which may be issued under this Plan shall not exceed [] shares, subject to adjustment as hereinafter provided. Any portion of the [] shares may be issued pursuant to Restricted Stock Awards. The shares of Common Stock which may be granted pursuant to Stock Incentives will consist of either unissued but authorized shares of Common Stock or shares of Common Stock which have been issued and reacquired by the Company, including shares purchased in the open market. The number of shares authorized under this Plan shall be subject to increase or decrease in order to give effect to the adjustment provision of Section 9.3 and to give effect to any other adjustment adopted as provided in Section 8.1.

ARTICLE IV

Participation in Plan

1 *Eligibility to Receive Stock Incentives* . Stock Incentives under this Plan may be granted only to persons who are Participants.

2 *Participation Not Guarantee of Employment* . Nothing in this Plan or in the instrument evidencing the grant of a Stock Incentive shall in any manner be construed to limit in any way the right of the Company, LMC or any of their respective Subsidiaries to terminate a Participant's employment at any time, without regard to the effect of such termination on any other benefits such Participant would otherwise have under the Plan or any Incentive Plan, or give any right to such a Participant to remain employed by the Company, LMC or any of their respective Subsidiaries in any particular position or at any particular rate of compensation.

ARTICLE V

Stock Awards

1 *Grant of Restricted Stock Awards* .

(a) *Grant* . Restricted Stock Award(s) shall be granted to each Participant who, as of the Record Date, holds an outstanding LMC Award(s) consisting of unvested restricted shares of LMC Common Stock.

(b) *Award of Shares* . Each Restricted Stock Award shall be for the same series of Common Stock as the corresponding award of restricted shares of LMC Common Stock to which such Restricted Stock Award relates. The number of shares of Common Stock covered by a Restricted Stock Award shall be 0.10 shares of Common Stock for each share of LMC Common Stock under the corresponding award of restricted shares of LMC Common Stock which such Restricted Stock Award replaces; *provided, however*, no fractional shares of Common Stock shall be awarded under a Restricted Stock Award, and, if the foregoing adjustment results in any fractional shares, LMC will deliver cash in lieu of such fractional shares.

fractional share interest to the applicable Participant in the same manner as cash in lieu of fractional share interests is paid to record holders of LMC Common Stock in the Distribution. Each Restricted Stock Award and the restricted shares of Common Stock issued thereunder shall continue to be subject to all the terms and conditions of the applicable Incentive Plan and associated instrument under which the corresponding award of restricted shares of LMC Common Stock was made and any such terms, conditions and restrictions as may be determined to be appropriate by the Committee.

(c) *Lapse of Restrictions* . The restrictions on each Restricted Stock Award shall lapse in accordance with the terms and conditions of the applicable Incentive Plan and associated instrument under which the corresponding award of restricted shares of LMC Common Stock was made; provided, however, that a Participant's employment or service with the Company, LMC or any of their respective Subsidiaries shall be deemed to be employment or service with the Company and LMC for all purposes under a Restricted Stock Award.

(d) *Award Documentation* . Restricted Stock Awards shall be evidenced in such form as the Committee shall approve and contain such terms and conditions as shall be contained therein or incorporated by way of reference to the Incentive Plan or any associated instrument governing the corresponding award of restricted shares of LMC Common Stock, which need not be the same for all Restricted Stock Awards.

(e) *Rights with Respect to Shares* . No Participant who is granted a Restricted Stock Award shall have any rights as a stockholder by virtue of such grant until shares are actually issued or delivered to the Participant.

ARTICLE VI

Options

1 Grant of Options .

(a) *Grant* . Option(s) shall be granted to each Participant who, as of the Record Date, holds an outstanding LMC Award(s) consisting of an option to purchase shares of Common Stock or an LMC SAR. Except as otherwise provided in this Plan, each Option shall continue to be subject to all the terms and conditions of the applicable Incentive Plan and associated instrument under which the corresponding option to purchase LMC Common Stock or LMC SAR (to the extent such terms and conditions would be applicable to the grant of an Option) was made and any such terms, conditions and restrictions as may be determined to be appropriate by the Committee.

(b) *Option Shares* . Each Option shall be for the same series of Common Stock as the corresponding option for LMC Common Stock or LMC SAR to which such Option relates. The number of shares of Common Stock exercisable under an Option shall be the number of shares of Common Stock that a Participant would have received in the Distribution if the applicable option for LMC Common Stock had been exercised immediately prior to the Record Date or, in the case of an LMC SAR, the same number of shares of Common Stock that would have been received in the Distribution if the LMC SAR has been an option exercised immediately prior to the Record Date for the number of shares of LMC Common Stock, subject to the LMC SAR; *provided, however, no fractional shares of Common Stock shall be awarded under an Option, and, if the conversion of an option to purchase shares of LMC Common Stock or an LMC SAR into an Option results in any fractional shares, the number of shares of Common Stock to be exercisable under an Option shall be rounded up to the nearest whole number of shares.*

(c) *Option Price* . The purchase price per share of Common Stock under each Option shall be established by the Committee. The Option price shall be subject to adjustment in accordance with the provisions of Section 9.3 hereof.

(d) *Option Documentation* . Options shall be evidenced in such form as the Committee shall approve and contain such terms and conditions as shall be contained therein or incorporated by way of reference to the Incentive Plan or any associated instrument governing the corresponding option to purchase LMC Common Stock or LMC SAR (to the extent such terms and conditions would be applicable to the grant of an Option), which need not be the same for all Options.

2 Exercise and/or Termination of Options .

(a) *Terms of Option* . Options granted under this Plan may be exercised at the same time and in the same manner as the corresponding option to purchase LMC Common Stock or LMC SAR (to the extent applicable to the grant of an Option). Options granted under this Plan shall expire at the same time and in the same manner as the corresponding option to purchase LMC Common Stock or LMC SAR (to the extent applicable to the grant of an Option), as provided in the applicable Incentive Plan and any associated instrument governing such option to purchase LMC Common Stock or LMC SAR; provided, however, that a Participant's employment or service with the Company, LMC or any of their respective Subsidiaries shall be deemed to be employment or service with the Company and LMC for all purposes under a Restricted Stock Award.

their respective Subsidiaries shall be deemed to be employment or service with the Company and LMC for all purposes under an Option.

(b) *Payment on Exercise* . No shares of Common Stock shall be issued on the exercise of an Option unless paid for in full at the time of purchase. Payment for shares of Common Stock purchased upon the exercise of an Option and any amounts required under Section 9.4 shall be determined by the Committee and may consist of (i) cash, (ii) common stock, (iii) promissory note (subject to applicable law), (iv) whole shares of any series of Common Stock, (v) the withholding of shares of the applicable series of Common Stock issued upon such exercise of the Option, (vi) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the purchase price, or (vii) any combination of the foregoing methods of payment, or such other consideration and method of payment as may be permitted for the issuance of shares under the Delaware General Corporation Law. The permitted method or methods of payment of the amounts payable upon exercise of an Option, if other than in cash, shall be set forth in the applicable Option agreement and may be subject to such conditions as the Committee deems appropriate.

(c) *Value of Shares* . Unless otherwise determined by the Committee and provided in the applicable Option agreement, shares of any series of Common Stock delivered in payment of all or any part of the amounts payable in connection with the exercise of an Option, and shares of any series of Common Stock withheld for such payment, shall be valued for such purpose at their Fair Market Value as of the exercise date.

(d) *Issuance of Shares* . The Company shall effect the transfer of the shares of Common Stock purchased under the Option as soon as practicable after the exercise thereof and payment in full of the purchase price therefor and of any amounts required by Section 9.4, and within a reasonable time thereafter, such transfer shall be evidenced on the books of the Company. Unless otherwise determined by the Committee and provided in the applicable Option agreement, (i) no Participant or other person exercising an Option shall have any of the rights of a stockholder of the Company with respect to shares of Common Stock subject to an Option granted under the Plan until due exercise and full payment has been made, and (ii) no adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such due exercise and full payment.

ARTICLE VII
Administration of Plan

1 *The Committee* . This Plan shall be administered solely by the Compensation Committee of the Board or such other committee of the Board as the Board shall designate to administer the Plan. A majority of the Committee shall constitute a quorum thereof and the actions of a majority of the Committee at a meeting at which a quorum is present, or action taken by written consent, previously approved in writing by all members of the Committee, shall be the actions of the Committee. Vacancies occurring on the Committee shall be filled by the Board. The Committee shall have full and final authority to interpret this Plan and any instruments evidencing Stock Incentives granted hereunder, to prescribe, amend and rescind rules and regulations, if any, relating to this Plan and to make all determinations necessary or advisable for the administration of this Plan. The Committee's determination in all matters referred to herein shall be conclusive and binding for all purposes and upon all persons including, but without limitation, the Company, LMC, the shareholders of the Company, the shareholders of the Company, the Committee and each of the members thereof, and the Participants, and their respective successors in interest. The Committee may delegate any of its rights, powers and duties to one or more of its members, or to any other person, by written action as provided herein, acknowledged in writing by the delegate or delegates, except that the Committee may not delegate to any person the authority to grant Stock Incentives to, or take other action with respect to, Participants who are subject to Section 16 of the Exchange Act. Such delegation shall not, without limitation, the power to execute any documents on behalf of the Committee.

2 *Liability of Committee* . No member of the Committee shall be liable for any action or determination made or taken by him or the Committee in good faith with respect to the administration of the Plan. The Committee shall have the power to engage outside consultants, auditors or other professionals to assist in the fulfillment of the Committee's duties under this Plan at the expense of the Company.

3 *Determinations of the Committee* . The Committee may, in its sole discretion, waive any provisions of any Stock Incentive, provided such waiver is not inconsistent with the terms of the applicable Incentive Plan, any associated instrument or this Plan as then in effect.

ARTICLE VIII
Amendment and Termination of Plan

1 *Amendment, Modification, Suspension or Termination* . The Board may from time to time amend, modify, suspend or terminate the Plan for the purpose of meeting or addressing changes in legal requirements or for any other purpose permitted by law except that (i) subject to Section 9.6, no amendment or alteration that would impair the rights of any Participant in any Stock Incentive awarded to such Participant shall be made without such Participant's consent and (ii) no amendment or alteration shall be effective prior to approval by the affirmative vote of the Company's shareholders to the extent such approval is then required pursuant to applicable legal requirements or the applicable requirements of the securities exchange on which the Company's Common Stock is listed. With the consent of the Participant, or as otherwise permitted under Section 9.6, and subject to the terms and conditions of the Plan, the Committee

amend outstanding Stock Incentive agreements with any Participant, including any amendment which would (i) accelerate the time or times at which the Stock Incentive may be exercised and/or (ii) extend the scheduled expiration date of the Stock Incentive.

.2 *Termination* . The Board may at any time terminate this Plan as of any date specified in a resolution adopted by the Board. If not earlier terminated, this Plan shall terminate on the date that any Option granted hereunder may be exercised or any restriction applicable to a Restricted Stock Award granted hereunder has lapsed, whichever occurs later.

ARTICLE IX

Miscellaneous Provisions

.1 *Exclusion from Pension and Profit-Sharing Computation* . By acceptance of a Stock Incentive, unless otherwise provided in the applicable Stock Incentive agreement, each Participant shall be deemed to have agreed that such Stock Incentive is special incentive compensation that will not be taken into account, in any manner, as salary, compensation or benefit in determining the amount of any payment under any pension, retirement or other employee benefit plan, program or policy of the Company or any Subsidiary of the Company. In addition, each beneficiary of a deceased Participant shall be deemed to have agreed that such Stock Incentive will not affect the amount of any life insurance coverage, if any, provided by the Company or any Subsidiary of the Company on the life of the Participant which is payable to such beneficiary under any life insurance plan covering employees of the Company or any Subsidiary of the Company.

.2 *Government and Other Regulations* . The obligation of the Company with respect to Stock Incentives shall be subject to all applicable laws, rules and regulations and such orders or decrees by any governmental agencies as may be required, including the effectiveness of any registration statement required under the Securities Act of 1933, and the rules and regulations of any securities exchange or association on which the Common Stock may be listed or quoted. For so long as any series of Common Stock is registered under the Exchange Act, the Company shall use its reasonable efforts to comply with any legal requirements (i) to maintain a registration statement in effect under the Securities Act of 1933 with respect to the applicable series of Common Stock that may be issued to Participants under the Plan and (ii) to file in a timely manner all reports required to be filed by it under the Exchange Act.

3 Adjustments .

(a) If the Company subdivides its outstanding shares of any series of Common Stock into a greater number of shares of such series of Common Stock (by stock dividend, stock split, reclassification, or otherwise) or combines its outstanding shares of any series of Common Stock into a smaller number of shares of such series of Common Stock (by reverse stock split, reclassification, or otherwise) or if the Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase such series of Common Stock or other similar corporate event (including mergers or consolidations other than those which constitute Approved Transactions, adjustments with respect to which shall be governed by Section 9.3(b)) affects any series of Common Stock so that an adjustment is required to preserve the benefits or potential benefits intended to be made available under the Plan, then the Committee, in its sole discretion and in such manner as the Committee may deem equitable and appropriate, may make such adjustments to any or all of (i) the number and kind of shares of stock subject to outstanding Stock Incentives, and (ii) the purchase or exercise price with respect to any of the foregoing, *provided, however, that the number of shares subject to any Stock Incentive shall always be a whole number*. Notwithstanding the foregoing, if all shares of any series of Common Stock are redeemed, then each outstanding Stock Incentive shall be adjusted to substitute for the shares of such series of Common Stock subject thereto the kind and amount of cash, securities or other assets issued or paid in the redemption of the equivalent number of shares of such series of Common Stock and otherwise the terms of such Stock Incentive, including, in the case of Options or similar rights, the aggregate exercise price shall remain constant before and after the substitution (unless otherwise determined by the Committee and provided in the applicable Stock Incentive agreement). The Committee may, if deemed appropriate, provide for a cash payment of a Stock Incentive to a Participant in connection with any adjustment made pursuant to this Section 9.3(a).

(b) *Approved Transactions; Board Change; Control Purchase* . In the event of any Approved Transaction, Board Change or Control Purchase, notwithstanding any continuation, waiting period, installment period, vesting schedule or restriction period in any Stock Incentive agreement or in the Plan, unless the applicable Stock Incentive agreement provides otherwise: (i) in the case of an Option, each such outstanding Option granted under the Plan shall become exercisable in full in respect of the aggregate number of shares covered thereby; and (ii) in the case of Common Stock awarded under a Restricted Stock Award, any restriction period applicable to each such Common Stock shall be deemed to have expired and all such Common Stock shall become vested. Notwithstanding the foregoing, unless otherwise provided in the applicable Stock Incentive agreement, the Committee may, in its discretion, determine that any or all outstanding Stock Incentives of any or all types granted pursuant to the Plan will not vest or become exercisable on an accelerated basis in connection with an Approved Transaction if effective provision has been made for the taking of such action which, in the opinion of the Committee, is equitable and appropriate to substitute a new Stock Incentive or to assume such Stock Incentive and to make such new or assumed Stock Incentive, as nearly as may be practicable, equivalent to the old Stock Incentive (before giving effect to any acceleration of the vesting or exercisability thereof), taking into account, to the extent applicable, the kind and amount of cash, securities, cash or other assets into or for which the applicable series of Common Stock may be changed, converted or exchanged in connection with the Approved Transaction.

4 *Withholding of Taxes* . The Company's obligation to deliver shares of Common Stock or pay cash in respect of any Stock Incentives under the Plan shall be subject to applicable federal, state and local tax withholding requirements. Federal, state and local withholding tax due upon the exercise of any Option or upon the vesting of, or expiration of restrictions with respect to Common Stock granted under Restricted Stock Awards, may, in the discretion of the Committee, be paid in shares of the applicable series of Common Stock already owned by the Participant or through the withholding of shares otherwise issuable to such Participant, upon such terms and conditions (including the conditions referenced in Section 6.2) as the Committee shall determine. If the Participant shall fail to pay, or make arrangements satisfactory to the Committee for the payment of, all such federal, state and local taxes required to be withheld with respect to a Stock Incentive, then the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to such Participant an amount equal to any federal, state or local taxes of any kind required to be withheld with respect to such Stock Incentive.

5 *Restrictions on Benefit* . Notwithstanding any provision of this Plan to the contrary, the provisions of any Incentive Plan concerning restrictions on benefits (in order to avoid disallowance of deductions on the Participant under Section 4999 of the Code or the disallowance of a deduction to the Company pursuant to Section 280G of the Code) are specifically incorporated by reference.

6 *Section 409A*. Notwithstanding any provision in this Plan or the Incentive Plan to the contrary, if any Plan or Incentive Plan provision or any Stock Incentive thereunder would result in the imposition of an additional tax under Code Section 409A and related regulations and United States Department of the Treasury pronouncements ("Section 409A"), that Plan or Incentive Plan provision and/or that Stock Incentive will be reformed to avoid imposition of the applicable tax and no action taken to comply with Section 409A shall be deemed to adversely affect the Participant's right to a Stock Incentive or require the consent of the Participant.

WITNESS WHEREOF, this document has been executed effective as of the Record Date.

DISCOVERY HOLDING COMPANY

By: _____

Name:

Title:

anks

OF DISCOVERY HOLDING COMPANY TRANSITIONAL STOCK ADJUSTMENT PLAN

Links -- Click here to rapidly navigate through this document

Exhibit

INDEMNIFICATION AGREEMENT

This AGREEMENT is made and entered into this [] day of [], 2005, by and between Discovery Holding Company, a Delaware corporation (the "Company"), and [] (the "Indemnitee").

WHEREAS, it is essential to the Company and its mission to retain and attract as officers and directors the most capable persons available;

WHEREAS, the Company has asked Indemnitee to serve as a(n) [officer]/[director] of the Company;

WHEREAS, both the Company and Indemnitee recognize the omnipresent risk of litigation and other claims that are routinely asserted against officers and directors of companies in the public arena in the current environment, and the attendant costs of defending even wholly frivolous claims;

WHEREAS, it has become increasingly difficult to obtain insurance against the risk of personal liability of officers and directors on terms providing reasonable protection to the individual at reasonable cost to the companies;

WHEREAS, the certificate of incorporation and Bylaws of the Company provide certain indemnification rights to the officers and directors of the Company, as provided by Delaware law;

WHEREAS, to induce Indemnitee to become a(n) [officer]/[director] of the Company, in recognition of Indemnitee's need for substantial protection against personal liability in connection with the performance of such duties, and to induce Indemnitee's continued service to the Company in an effective manner, the increasing difficulty in obtaining and maintaining satisfactory insurance coverage, and Indemnitee's reliance on assurance of indemnification, the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent permitted by law (whether partial or complete) and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's officers' and directors' liability insurance policies;

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein and Indemnitee's continuing to serve as an officer of the Company, the parties hereto agree as follows:

Certain Definitions :

(a) *Change in Control* : shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under such Act), directly or indirectly, of securities of the Company representing 20% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (66 2/3 %) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all of the Company's assets.

(b) *Claim* : any threatened, pending or completed action, suit or proceeding, whether instituted by the Company or any other party, or any inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil (including intentional and unintentional tort claims), criminal, administrative, investigative or other.

(c) *Expenses* : include attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event.

(d) *Indemnifiable Event* : any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of anything done or not done by Indemnitee in any such capacity.

(e) *Independent Legal Counsel* : an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise performed legal services for the Company or Indemnitee within the last five years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements).

(f) *Reviewing Party* : any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Company's Board of Directors who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(g) *Voting Securities* : shares of any series or class of common stock or preferred stock of the Company, in each case, entitled to vote generally upon all matters that may be submitted to a vote of stockholders of the Company at any annual or special meeting thereof.

Basic Indemnification Arrangement .

(a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim. If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee as incurred (an "Expense Advance").

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) shall be subject to the condition that, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, and a determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and agrees to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

Change in Control . The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of Indemnitee to

payments and Expense Advances under this Agreement or any other agreement or Company Bylaw or charter provision now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

Indemnification for Additional Expenses. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall advance such expenses to Indemnitee, within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee (whether or not to Section 17 of this Agreement or otherwise) for (i) indemnification or advance payment of Expenses by the Company under this Agreement or any other agreement or Company Bylaw or charter provision now or hereafter in effect relating to Claims for Indemnifiable Events or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, to the fullest extent permitted by law, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or expense recovery, as the case may be.

Partial Indemnity. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, damages and amounts paid in settlement of a Claim but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof for which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified for all Expenses incurred in connection therewith.

Burden of Proof. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

No Presumptions. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

Nonexclusivity; Subsequent Change in Law. The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Company's Bylaws, certificate of incorporation or under Delaware law, or otherwise. To the extent that a change in Delaware law (whether by statute or judicial decision) permits greater indemnification than would be afforded currently under the Company's Bylaws and certificate of incorporation and this Agreement, it is the intent of the parties hereto that Indemnitee shall be entitled to the Agreement the greater benefits so afforded by such change.

Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

Amendments; Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any provision of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee and shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company to bring suit to enforce such rights.

No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent that Indemnitee has otherwise actually received payment (under any insurance policy, Bylaw or otherwise) of the amounts otherwise indemnifiable hereunder.

Binding Effect. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any d

direct successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal representatives. This Agreement shall continue in effect regardless of whether Indemnatee continues to serve as an officer of the Company or of any other enterprise at the Company's discretion.

4. *Severability*. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.

5. *Effective Date*. This Agreement shall be effective as of the date hereof and shall apply to any claim for indemnification by the Indemnatee on or after such date.

6. *Governing Law*. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and performed in such state without giving effect to the principles of conflicts of laws.

7. *Injunctive Relief*. The parties hereto agree that Indemnatee may enforce this Agreement by seeking specific performance hereof, without any necessity of showing irreparable injury or posting a bond, which requirements are hereby waived, and that by seeking specific performance, Indemnatee shall not be precluded from seeking or obtaining any other relief to which he may be entitled.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

DISCOVERY HOLDING COMPANY

By: _____

INDEMNITEE

links

INDemnIFICATION AGREEMENT

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EXPLANATION TO FINANCIAL STATEMENTS

Exhibit

INFORMATION STATEMENT

DISCOVERY HOLDING COMPANY

12300 Liberty Boulevard
Englewood, Colorado 80112

We are currently a subsidiary of Liberty Media Corporation, which we refer to as "LMC." Our assets and businesses consist of 100% of Ascent Media Group, Inc. and LMC's 50% ownership interest in Discovery Communications, Inc. LMC has determined to spin off our company by distributing to LMC's shareholders, as a dividend, all of our common stock.

For each share of LMC Series A common stock or LMC Series B common stock held by you as of 5:00 p.m., New York City time, on July 15, 2005, the record date for the distribution, you will receive 0.10 of a share of the same series of our common stock. If as a result of the foregoing ratio you would be entitled to a fraction of a share of our common stock, you will receive cash in lieu of a fractional share interest. We expect the shares of our common stock to be distributed by LMC to you on or about July 21, 2005, which we refer to as the distribution date.

No vote of LMC's shareholders is required in connection with the spin off. No action is required of you to receive your shares of our common stock.

There is no current trading market for our common stock. We have applied to list our Series A common stock and Series B common stock on the Nasdaq National Market under the symbols "DISCA" and "DISCB," respectively, on the distribution date. On July 8, 2005, when-issued trading in our Series A common stock commenced on the OTC Bulletin Board under the symbol "DCHAV."

In reviewing this information statement, you should carefully consider the matters described under the caption "Risk Factors" beginning on page 5.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this information statement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this information statement is July 11, 2005.

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SUMMARY

Company

We are currently a subsidiary of LMC, and our assets and businesses consist of 100% of Ascent Media Group, Inc., which we consolidate, and LMC's 50% interest in Discovery Communications, Inc. which we account for using the equity method of accounting. Prior to the spin off, LMC will transfer \$200 million in cash to a subsidiary of our company. Following the spin off, we will be an independent publicly traded company, and LMC will not retain any ownership interest in us. In connection with the spin off, we and LMC are entering into certain agreements pursuant to which we will obtain certain management and other services, and we and LMC will indemnify each other against certain liabilities that may arise from our respective businesses. See "Certain Inter-Company Agreements."

Ascent Media Group, Inc., which we refer to as Ascent Media, is a wholly owned subsidiary of ours. As part of its internal restructuring to effect the spin off, LMC intends to convert Ascent Media to a Delaware limited liability company. Ascent Media provides creative, media management and network services to the media and entertainment industries. Its clients include major motion picture studios, independent producers, broadcast networks, cable programming networks, advertising agencies and other companies that produce, own and/or distribute entertainment, news, sports, corporate, educational, industrial and advertising content.

Discovery Communications, Inc., which we refer to as Discovery, is a global media and entertainment company whose operations are organized into three business units: Discovery Networks U.S., Discovery international networks and Discovery commerce, education and other. Through one of our subsidiaries, we own 50% of Discovery. Discovery has grown from a single property, Discovery Channel, to current global operations in over 160 countries with over 1 billion total cumulative subscription units. As used in this document, the term "subscription units" means, for each separate network or other programming service that we offer, the number of television households that are able to receive that network or programming service through cable, satellite or other television provider, and the term "cumulative subscription units" refers to the sum of such figures for multiple networks and/or programming services, including: (1) multiple networks received in the same household, (2) subscription units for joint venture networks, (3) subscription units for branded programming blocks, which are typically provided without charge, and (4) households that receive Discovery programming networks from pay-television providers without charge pursuant to various pricing plans that include free periods and/or free carriage. Discovery produces original programming and acquires content from numerous producers worldwide that is tailored to the specific needs of audiences around the globe. Discovery has 21 network entertainment brands, including Discovery Channel, TLC, Animal Planet, Travel Channel, Discovery Health Channel, Discovery Family and a family of digital channels. Discovery's networks are carried by the largest cable television and satellite distributors in the United States and abroad. Discovery also distributes BBDO to cable and satellite operators in the United States.

When we refer to "our businesses" in this information statement, we are referring to the businesses of Ascent Media and Discovery and their subsidiaries and equity affiliates.

Our principal executive offices are located at 12300 Liberty Boulevard, Englewood, Colorado 80112. Our main telephone number is (720) 875-4000.

Spin Off

The following is a brief summary of the terms of the spin off. Please see "The Spin Off" for a more detailed description of the matters described below.

What is the spin off?

In the spin off, LMC will distribute to its shareholders all of the shares of our common stock that it owns. Following the spin off, we will be a separate company from LMC, and LMC will not have any ownership interest in us. The number of shares of LMC common stock you own will not change as a result of the spin off.

What is being distributed in the spin off?

Approximately 268 million shares of our Series A common stock and 12 million shares of our Series B common stock will be distributed in the spin off, based upon the number of shares of LMC Series A common stock and LMC Series B common stock outstanding on April 29, 2005. The shares of our common stock to be distributed by LMC will consist of all of the issued and outstanding shares of our common stock immediately after the distribution.

What is the record date for the spin off?

The record date is July 15, 2005, and record ownership will be determined as of 5:00 p.m., New York City time, on that date. When we refer to the "record date," we are referring to the foregoing time and date.

What will I receive in the spin off?

Holders of LMC Series A common stock will receive a dividend of 0.10 of a share of our Series A common stock for each share of LMC Series A common stock held by them on the record date, and holders of LMC Series B common stock will receive a dividend of 0.10 of a share of our Series B common stock for every share of LMC Series B common stock held by them on the record date. At the time of the spin off, each share of our Series A common stock and our Series B common stock will have attached to it one preferred share purchase right of the corresponding series, as more fully described in this information statement. See "Description of Our Capital Stock—Shareholder Rights Plan."

What is the reason for the spin off?

The potential benefits considered by LMC's board of directors in making the determination to consummate the spin off included the following:

- enhancing the ability of LMC to issue equity and equity-linked securities, by reducing the perceived discount from net asset value reflected in the trading prices of LMC common stock; and
- enabling investors to invest more directly in our interest in Discovery, thereby facilitating our ability to raise capital and pursue acquisitions using our securities as consideration.

See "The Spin Off—Reasons for the Spin Off."

What do I have to do to participate in the spin off?

Nothing. Shareholders of LMC on the record date for the spin off are not required to pay any cash or deliver any other consideration, including any shares of LMC common stock, for the shares of our common stock distributable to them in the spin off.

How will LMC distribute shares of Discovery Holding common stock to me?

Holders of shares of either series of LMC common stock on the record date will receive shares of the same series of our common stock in the same form, certificated or book entry, as the form in which the recipient shareholder held its shares of LMC common stock on the record date.

If I sell, before the distribution date, shares of LMC common stock that I held on the record date, am I still entitled to receive shares of Discovery Holding common stock distributable with respect to the shares of LMC common stock I sold?

No. No ex-dividend market will be established in LMC common stock until the distribution date. Therefore, if you own shares of either series of LMC common stock on the date and thereafter sell those shares prior to the distribution date, you will also be selling the shares of our common stock that would have been distributed to you in the spin off with respect to the shares of LMC common stock you sell.

How will fractional shares be treated in the spin off?

If you would be entitled to receive a fractional share of our common stock in the spin off, you will instead receive a cash payment. See "The Spin Off—Treatment of Fractional Shares" for an explanation of how the cash payments will be determined.

What is the distribution date for the spin off?

Shares of our common stock will be distributed by the distribution agent, on behalf of LMC, on or about July 21, 2005.

What are the federal income tax consequences to me of the spin off?

LMC has obtained a private letter ruling from the IRS to the effect that the spin off will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code and that, accordingly, for U.S. federal income tax purposes, no gain or loss will be recognized by, and no amount will be included in the income of, a holder of LMC common stock upon the receipt of shares of our common stock pursuant to the spin off. In addition, the spin off is conditioned upon the receipt by LMC of the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, to similar effect. A holder of LMC common stock will generally recognize gain or loss with respect to cash received in lieu of a fractional share of common stock.

Please see "The Spin Off—Material U.S. Federal Income Tax Consequences of the Spin Off" and "Risk Factors—Factors Relating to the Spin Off—The spin off could result in significant tax liability" for more information regarding the private letter ruling and the tax opinion and the potential tax consequences to you of the spin off.

Does Discovery Holding intend to pay cash dividends?

No. We currently intend to retain future earnings, if any, to finance the expansion of our businesses. As a result, we do not expect to pay any cash dividends in the foreseeable future. All decisions regarding the payment of dividends by our company will be made by our board of directors, from time to time, in accordance with applicable law.

Where will Discovery Holding common stock trade?

Currently, there is no public market for our common stock. We have applied to list our Series A common stock and Series B common stock on the Nasdaq National Market under the symbols "DISCA" and "DISCB," respectively.

On July 8, 2005, when-issued trading in our Series A common stock commenced on the OTC Bulletin Board under the symbol "DCHAV." As of the date hereof, there are no markets for our Series B common stock to trade on a when-issued basis, however, a when-issued trading market in our Series B common stock may commence between the record date and the distribution date. When-issued trading of our common stock, in the context of the spin off, refers to a transaction effected before the distribution date and made conditional because the securities of the spun off entity have not yet been distributed. When-issued trades generally settle within two days after the

distribution date. On the distribution date, any when-issued trading in respect of our common stock will end and regular way trading will begin. Regular way trading refers to after the security has been distributed and typically involves a trade that settles on the third full trading day following the date of the sale transaction. We cannot predict the trading prices for our common stock before or after the distribution date.

Do I have appraisal rights?

No. Holders of LMC common stock are not entitled to appraisal rights in connection with the spin off.

Who is the transfer agent for your common stock?

EquiServe Trust Company, N.A.

Who is the distribution agent for the spin off?

EquiServe Trust Company, N.A.

Summary Selected Financial Data

The following tables present selected historical information relating to our combined financial condition and results of operations for the three months ended March 31, 2005 and for the three years ended December 31, 2004. The quarterly information is derived from our unaudited condensed combined financial statements, and the annual information is derived from our audited combined financial statements for the corresponding periods. The data should be read in conjunction with our combined financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	March 31, 2005	December 31,			
		2004	2003	2002	
		amounts in thousands			
Summary Balance Sheet Data:					
Investment in Discovery	\$ 2,966,139	2,945,782	2,863,003	2,816,513	
Property and equipment, net	\$ 261,603	258,741	257,536	300,496	
Intangible assets, net	\$ 2,140,551	2,140,355	2,136,667	2,112,544	
Assets	\$ 5,577,710	5,564,828	5,396,627	5,373,150	
Liabilities including current portion	\$ —	—	—	401,984	
Unaffiliated notes payable to LMC	\$ —	—	—	205,299	
Equity investment	\$ 4,360,610	4,347,279	4,260,269	3,617,417	
	Three months ended March 31,	Years ended December 31,			
	2005	2004	2004	2003	2002
		amounts in thousands, except per share amounts			
Summary Statement of Operations Data:					
Operating income	\$ 174,290	145,943	631,215	506,103	539,333
Operating income (loss)	\$ 2,877	5,914	16,935	(2,404)	(61,452)
Operating earnings (losses) of Discovery	\$ 22,814	10,449	84,011	37,271	(32,046)
Operating earnings (loss)	\$ 16,825	11,920	66,108	(52,394)	(129,275)
Adjusted pro forma basic and diluted net earnings (loss) per share(1)	\$ 0.06	0.04	0.24	(0.19)	(0.46)

Unaudited pro forma basic and diluted net earnings (loss) per common share is based on 280,001,000 common shares for the three months ended March 31, 2005 and 2004 and 279,996,000 common shares for the years ended December 31, 2004, 2003 and 2002, which is the number of shares that would have been issued on March 31, 2005 and December 31, 2004, respectively, if the spin off had been completed on such dates.

RISK FACTORS

An investment in our common stock involves risk. You should carefully consider the risks described below, together with all of the other information included in this information statement in evaluating our company and our common stock. Any of the following risks, if realized, could have a material adverse effect on the value of our common stock.

Risks Relating to our Business

We are a holding company, and we could be unable in the future to obtain cash in amounts sufficient to service our financial obligations or meet our other commitments. Our ability to meet our financial obligations and other contractual commitments depends upon our ability to access cash. We are a holding company, and our sources of cash include our available cash balances, net cash from the operating activities of our subsidiaries, any dividends and interest we may receive from our investments, availability under any credit facilities we may obtain in the future and proceeds from any asset sales we may undertake in the future. We currently have no plans with respect to any credit facilities or asset sales. The ability of our operating subsidiaries to pay dividends or to make other payments or advances to us depends on their individual operating results and any statutory, regulatory or contractual restrictions to which they may be or may become subject.

We do not have access to the cash that Discovery generates from its operating activities. Discovery generated approximately \$125 million, \$154 million and \$139 million of cash from its operations during the years ended December 31, 2004, 2003 and 2002, respectively. Discovery uses the cash it generates from its operations to fund its investing activities and to service its debt and other financing obligations. We do not have access to the cash that Discovery generates unless Discovery declares a dividend on its capital stock payable in cash, repurchases any or all of its outstanding shares of capital stock for cash or otherwise distributes or makes payments to its stockholders, including us. Historically, Discovery has not paid dividends on its capital stock or, with limited exceptions, otherwise distributed cash to its stockholders and instead has used all of its available cash in the expansion of its business and to service its debt obligations. Covenants in Discovery's existing debt instruments also restrict the payment of dividends and cash distributions to stockholders. We expect that Discovery will continue to apply its available cash to the expansion of its business. We do not have sufficient voting control to cause Discovery to pay dividends or make other payments or advances to its stockholders, or otherwise provide us access to Discovery's cash.

We have no operating history as a separate company upon which you can evaluate our performance. Although our subsidiary Ascent Media was a separate public company from 2003 (when LMC acquired the outstanding shares of Ascent Media that it did not already own), we do not have an operating history as a separate public company. Accordingly, there can be no assurance that our business strategy will be successful on a long-term basis. We may not be able to grow our businesses as planned and may not be profitable.

Our historical financial information may not be representative of our results as a separate company. The historical financial information included in this information statement does not necessarily reflect what our results of operations, financial condition and cash flows would have been had we been a separate, stand-alone entity pursuing independent strategies during the periods presented.

We do not have the right to manage Discovery, which means we cannot cause Discovery to operate in a manner that is favorable to us. Discovery is managed by its stockholders rather than a board of directors. Generally, all actions to be taken by Discovery require the approval of the holders of a majority of Discovery's shares; however, pursuant to a Stockholders Agreement described below, the taking of certain actions (including, among other things, a merger of Discovery, or the issuance of additional shares of Discovery capital stock or approval of certain business plans) require the approval

holders of at least 80% of Discovery's shares. Because we do not own a majority of the outstanding equity interests of Discovery, we do not have the right to manage the business of Discovery. Although our status as a 50% stockholder of Discovery enables us to exercise influence over the management and policies of Discovery, such status does not ensure that any actions will be taken. A subsidiary of Cox Communications, which we refer to as Cox Communications, and Advance/Newhouse Programming Partnership, which we refer to as Advance/Newhouse, each hold a 25% interest in Discovery, which ownership interest enables each such company to prevent Discovery from taking actions requiring 80% approval.

Actions to be taken by Discovery that require the approval of a majority of Discovery's shares may, under certain circumstances, result in a deadlock. Because we own a 50% interest in Discovery and each of Cox Communications and Advance/Newhouse own a 25% interest in Discovery, a deadlock may occur when the stockholders vote to approve an action that requires majority approval. Accordingly, unless either Cox Communications or Advance/Newhouse elects to vote with us on items that require majority action, such actions may not be approved. Pursuant to the terms of the Stockholders' Agreement, if an action that requires approval by a majority of Discovery's shares is approved by 50%, but not more than 50%, of the outstanding shares then the proposed action will be submitted to an arbitrator designated by the stockholders. Currently, the arbitrator is John Hendricks, the founder and Chairman of Discovery. Mr. Hendricks, as arbitrator, is entitled to cast the deciding vote on matters where the stockholders have deadlocked because neither side has a majority. Mr. Hendricks, however, is not obligated to take action to break such a deadlock. In addition, Mr. Hendricks may elect to approve actions we have opposed, if such a deadlock exists. In the event of a deadlock among the stockholders of Discovery, the possibility of such a deadlock could have a material adverse effect on Discovery's business.

The liquidity and value of our interest in Discovery may be adversely affected by a Stockholders' Agreement to which we are a party. Our 50% interest in Discovery is subject to the terms of a Stockholders' Agreement among the holders of Discovery capital stock. Among other things, the Stockholders' Agreement restricts our ability to directly sell or transfer our interest in Discovery or to borrow against its value. These restrictions impair the liquidity of our interest in Discovery and may make it difficult for us to obtain full value for our interest in Discovery should such a need arise. In the event we chose to sell all or a portion of our direct interest in Discovery, we would first have to obtain an offer from an unaffiliated third party. If we do not receive such an offer to sell such interest to Cox Communications and Advance/Newhouse on substantially the same terms as the third party had agreed to pay.

If either Cox Communications or Advance/Newhouse decided to sell their respective interests in Discovery, then the other of such two stockholders would have a right to acquire such interests on the terms set by a third party offer obtained by the selling stockholder. If the non-selling stockholder elects not to exercise this acquisition right, then, subject to the terms of the Stockholders' Agreement, we would have the opportunity to acquire such interests on the terms set by a third party offer obtained by the selling stockholder. We anticipate that the purchase of the interests held by Cox Communications or Advance/Newhouse would be significant and could require us to obtain significant funding in order to raise sufficient funds to acquire one or both of their interests. This opportunity to purchase the Discovery interests held by Cox Communications and/or Advance/Newhouse may arise (if at all) at a time when it may be difficult for us to raise the funds necessary to purchase such interests.

LMC has had discussions from time to time with Cox Communications and Advance/Newhouse regarding the acquisition of their interests in Discovery, including a potential exchange of their Discovery interests for shares of our common stock. The discussions, which were preliminary in nature, did not result in any agreement, arrangement or understanding regarding such a transaction. Prior to the spin off, LMC and our company elected to terminate such discussions and there are no current discussions.

to resume such discussions. We do not have the ability to require Cox Communications or Advance/Newhouse to sell their interests in Discovery to us, nor do they have the ability to sell their interest to them. Accordingly, the current governance relationships affecting Discovery may continue indefinitely.

Because we do not control the business management practices of Discovery, we rely on Discovery for the financial information that we use in accounting for our ownership interest in Discovery. We account for our 50% ownership interest in Discovery using the equity method of accounting and, accordingly, in our financial statements we record our share of Discovery's net income or loss. Because we do not control Discovery's decision-making process or business management practices, within the meaning of U.S. accounting rules, we rely on Discovery to provide us with financial information prepared in accordance with generally accepted accounting principles, which we use in the application of the equity method. We entered into an agreement with Discovery regarding the use by us of certain information regarding Discovery in connection with our financial reporting and disclosure requirements as a public company. See "Certain Inter-Company Agreements—Information Agreement with Discovery." However, such agreement limits the public disclosure by us of certain non-public information regarding Discovery (other than specified historical financial information), and also restricts our ability to enforce the agreement against Discovery with a lawsuit seeking monetary damages, in the absence of gross negligence, reckless conduct or willful misconduct on the part of Discovery. In addition, we cannot change the way in which Discovery reports financial results or require Discovery to change its internal controls over financial reporting.

We cannot be certain that we will be successful in integrating businesses we may acquire with our existing businesses. Our businesses may grow through acquisitions in serviceable markets. Integration of new businesses may present significant challenges, including: realizing economies of scale in programming and network operations; eliminating duplicative overheads; and integrating networks, financial systems and operational systems. We cannot assure you that, with respect to any acquisition, we will realize anticipated benefits or successfully integrate any acquired business with our existing operations. In addition, while we intend to implement appropriate controls and procedures as we integrate acquired companies, we may not be able to certify as to the effectiveness of these companies' disclosure controls and procedures or internal control over financial reporting (as required by recent amendments to U.S. federal securities laws and regulations) until we have fully integrated them.

Acquisitions to be made by Discovery will require our approval; however, we do not unilaterally have the power to cause Discovery to acquire any particular business or asset. The management of Discovery has responsibility for integrating the operations of any acquired businesses and establishing internal control over financial reporting and for other purposes. We do not have the power to mandate that Discovery follow the same procedures and internal controls that we require of our subsidiaries.

Loss of any of Ascent Media's large customers would reduce our revenue. Although Ascent Media serviced over 4,000 customers during the year ended December 31, 2009, its largest customers accounted for approximately 45% percent of its consolidated revenue and Ascent Media's single largest customer accounted for approximately 7% percent of its consolidated revenue during that period. The loss of, and the failure to replace, any significant portion of the services provided to any significant customer could have a material adverse effect on the business of Ascent Media.

Ascent Media's business depends on certain client industries. Ascent Media derives much of its revenue from services provided to the motion picture and television production industries and from the data transmission industry. Fundamental changes in the business practices of any of these client industries could cause a material reduction in demand by Ascent Media's clients for the services offered by Ascent Media. Ascent Media's business benefits from the volume of content being created and distributed rather than the success or popularity of an individual television show,

mercial or feature film. Accordingly, a decrease in either the supply of, or demand for, original entertainment content would have a material adverse effect on Ascent Media's revenues. Because spending for television advertising drives the production of new television programming, as well as the production of television commercials and the sale of existing content libraries for syndication, a reduction in television advertising spending would adversely affect Ascent Media's business. Factors that could impact television advertising and the demand for original entertainment content include the growing use of personal video recorders and video-on-demand services, continued fragmentation of and competition for the attention of television audiences, and general economic conditions.

Changes in technology may limit the competitiveness of and demand for our services. The post-production industry is characterized by technological change, evolving standards, and emerging technical standards, and the data transmission industry is currently saturated with companies providing services similar to Ascent Media's. Obtaining access to and using new technologies that may be developed in Ascent Media's industries will require capital expenditures, which may be significant and may have to be incurred in advance of any revenue that may be generated by such new technologies. In addition, the use of some technologies may require third party licenses, which may not be available on commercially reasonable terms. Although we believe that Ascent Media will be able to continue to offer services based on the newest technologies, we cannot assure you that Ascent Media will be able to obtain any necessary licenses or that such technologies will not render obsolete Ascent Media's role as a provider of motion picture and television production services. If Ascent Media's competitors in the data transmission industry have technology that enables them to provide services that are more reliable, faster, less expensive, reach more customers or have other advantages over the data transmission services Ascent Media provides, then the demand for Ascent Media's data transmission services may decrease.

Technology in the video, telecommunications and data services industry is changing rapidly. Advances in technologies such as personal video recorders and video-on-demand and changes in television viewing habits facilitated by these or other technologies could have an adverse effect on Discovery's advertising revenue and viewership levels. The ability to anticipate changes in, and adapt to, changes in technology and consumer tastes on a timely basis and exploit new sources of revenue from these changes will affect the ability of Discovery to continue to grow, increase its revenue and number of subscribers and remain competitive.

Labor dispute may disrupt our business. The cost of producing and distributing entertainment programming has increased substantially in recent years due to, among other things, increasing demands of creative talent and industry-wide collective bargaining agreements.

Ascent Media employs approximately 3,800 persons, some on a project-by-project basis. Approximately 310 of Ascent Media's creative and technical personnel in the United States are subject to one of five collective bargaining agreements with the International Alliance of Theatrical Stage Employees, although the number of personnel subject to such agreements varies from time to time for specific client projects. Three of these agreements are due to be renegotiated in the near future, a fourth is finalized and in draft form waiting final execution by the union and the remaining agreement, which covers a majority of Ascent Media's union employees, is due to expire in January 2007. Additionally, approximately 40 members of the British Screen Actors Guild, Casting Entertainment Cinematograph and Theatre Union are currently employed at various facilities of Ascent Media in the United Kingdom, although the collective bargaining agreements governing such employees have expired. An Ascent Media subsidiary is also a signatory to an agreement with the Screen Actors Guild, which governs employment terms for performers that may be hired by the company from time to time for specific client projects. Ascent Media has not had any strikes or significant work stoppages in over five years and generally believes that its relations with union and non-union